

**The Chartered Banker Institute
Response to
CP17/25 Individual Accountability:
Extending the Senior Managers and Certification Regime to all FCA firms**

General Comments

Our Institute is focused on raising professionalism across the financial services sector and in promoting to our members, and others, the very highest standards of knowledge, skill, integrity, trust and behaviour. We are therefore supportive of all efforts to improve outcomes for consumers through the regulatory regime.

Our Institute is also part of a wider Chartered Body Alliance, formed jointly with the Chartered Investment and Securities Institute (CISI) and the Chartered Insurance Institute (CII). Along with our Alliance colleagues, we believe that the Senior Managers and Certification Regime [SMCR] and its extension presents regulated firms with an excellent opportunity to take stock of their organisational structure and culture, and in doing so improve outcomes for consumers. It is our view that this activity should focus on developing a culture of professionalism that:

- Embeds an ethical culture combining skills, behaviours and attitudes,
- Ensures individuals within a firm have sufficient expertise to perform their role competently
- Ensures that fit and proper processes including appraisals and oversight functions are adequate
- Ensures that staff are fully aware of their responsibilities under the FCA code of conduct

Professional bodies such as ours have a key role to play in helping to rebuild confidence and trust in the sector. We do this through guidance, professional membership, codes of conduct, professional qualifications and standards, and, where appropriate, by issuing Statements of Professional Standing. Those adhering to our codes not only exceed regulatory requirements, but do so in a way that addresses the spirit as well as the letter of the rules. Together this should enhance and sustain public confidence that they are dealing with suitably knowledgeable and competent professionals, that they can trust.

We commend the FCA in its proposals for the extension of the SMCR which are proportionate, and should ensure parity and consistency across the whole of the UK's financial services sector. We look forward to reviewing the technical guidance in due course, which we believe should maintain the flexibility required by firms to allocate responsibilities in a way that accommodates different models and organisational structures, as has been the case when implementing SMCR to the banking sector.

Below, we have commented only on those aspects of CP17/25, which fall within our Institute's expertise and on which we are expected by our members to comment.

Information about the background and ongoing work of our Institute can be found in the [Annex](#) to this paper.

Specific Responses

Q9. Do you think the identity of people performing Certification Functions should be made public by firms?

We are strongly in favour of making such information publicly available, and not just for those firms to which the extension is applicable, but to all firms under the regime.

As a recent IOSCO report¹ on misconduct found: *"The existence of public registers helps to ensure transparency, providing benefits to clients wishing to know more about individuals with whom they are doing business, helping to build trust. It also helps firms by informing hiring decisions."*

We firmly agree with these findings, particularly when considering the intent of conduct regulations, including that of regulatory references, and believe there is a compelling argument for a central register of Certified Individuals. We have put it to the FCA² and others that such a register might include simple data reflecting an individual's personal commitment to professionalism, for example, whether an individual is a member of a Chartered professional body, has attained professional standards and/or professional qualifications, hold a Statement of Professional Standing, etc. In time such data may also prove useful in evaluating and measuring an organisation's commitment to a culture of ethical professionalism.

Q12. Do you agree with our proposed approach to rules and guidance on the fit and proper test?

We agree that it is right that firms assess the fitness and propriety of individuals for roles encompassed within the Senior Management and Certification Regimes initially and on an ongoing basis. We welcome the requirement that this assessment be undertaken at least annually.

However, the FCA notes in section 6.5 of the consultation that a number of rules are already in place regarding the specific requirements for assessing the fitness and propriety of an individual and that no new rules are proposed. We understand the motivations behind this course of action, but would seek assurances that consideration will be made to improving the existing rules given the shift from the regulator to firms for assessment. There is also room here to reference the link with certain guidelines which have, or will soon, come into play, such as the ESMA guidelines on Knowledge and Competence³, and the joint ESMA/EBA Suitability

¹ IOSCO Task Force Report June 2017: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD563.pdf>

² See Chartered Banker Response to FCA CP17/24: [Information about Current Account Services](#)

³ [Guidelines for the Assessment of Knowledge and Competence](#): January 2017

Guidelines⁴. This is particularly worth considering given the recent FCA consultation [CP17/28] which proposed removing some individuals from aspects of the Training and Competence Handbook (TC) requirements following the change to the Regulated Activity Order; a step which we believe is counter to the objectives of the individual accountability regime. Furthermore, clearly signposting the EBA/ESMA Suitability Guidelines within the context of the SMCR might address concerns, such as those raised by the Financial Services Consumer Panel in its response to this consultation⁵, regarding the need for more to be done to increase management and board diversity to avoid the mistakes of the past.

We would also highlight the work done by the Banking Standards Board in developing its *Statement of Good Practice: Fitness & Propriety Assessment Principles*, and its *Supporting Guidance*⁶ to assist banks in adjusting to the new regime. Whilst we appreciate that the guidance is specific to the banking sector, the underpinning work may be relevant and there is much to be commended in the guidance to the wider market.

That said, it is our view that standards of ethics and professionalism cannot be created or maintained by written rules alone: ultimately the ethical conduct of financial services depends upon the integrity and behaviour of those engaged as professionals in the sector. To retain their professional designation, we at the Chartered Banker Institute require all our members to complete 35 hours of continuing professional development (CPD) annually, with at least five dedicated to professionalism and ethics as befits our Royal Charter but we also recognise that personal integrity is a quality which implies adherence to generally accepted principles of honesty and fair-mindedness. We believe that the work of professional bodies, such as ours, complements the work of the FCA and, through the achievement of professional qualifications and adherence to professional standards, individuals will be able to demonstrate that they have gained the required level of competence and apply the highest standards of professionalism and conduct.

Q14. Do you agree with our proposed requirement of regulatory references?

Yes. We are closely following the research undertaken by the Financial Stability Board in its work to address the issue of 'bad apples' and believe the solution is simple, as outlined in our response to Q9 above. A consolidated register could include an individual's professional affiliations and qualifications, together with their employment history. It is our view that, between professional bodies such as ours, employers and the regulator we have sufficient information to provide a meaningful register.

⁴ [Draft Guidelines on the Assessment of the Suitability of Members of the Management Body and Key Function Holders](#); September 2017

⁵ FSCP response to FCA CP17/25: www.fs-cp.org.uk/sites/default/files/fscp_response_smcr_extension_-_oct_2017.docx.pdf

⁶ BSB [Statement of Good Practice 1](#) and [Supporting Guidance](#)

Q16. Do you agree with our proposal to apply the Conduct Rules to all employees who perform financial services with the limited exclusions listed in section 7.14?

Yes. It is our view that the Conduct Rules should apply to all employees - from those captured within the Senior Managers Regime through to the most junior staff.

Q18. Do you agree with our proposal to link notification requirements for disciplinary action to breaches of the Conduct Rules?

Yes. However, it is our view that firms should also consider whether an individual is, whether knowingly or otherwise, in breach of other conduct rules, such as those of their professional membership body. This is particularly important with reference to issuing Statements of Professional Standing. We continue to call upon regulators to aid us in developing a mechanism to close this information loop, thereby helping all relevant parties work together to achieve the common objective of improved standards of professionalism and better outcomes for consumers.

Q33. Do you agree with our proposal to introduce a new Prescribed Responsibility for the Conduct Rules that will also apply to banking firms?

Yes. We also note that the FSCP in its response to this paper⁵ has challenged the FCA's view not to allocate culture as an individual responsibility. We agree with the logic of their argument and support their call for this additional Prescribed Responsibility. In due course the individual responsible for monitoring culture may drive forward useful metrics of organisational and individual commitment to professionalism to be included in comparative data available to the public.

Annex 1 - Chartered Banker Institute: Overview

The Institute in Numbers



Institute Background

1. The Chartered Banker Institute (“the Institute”) is the oldest professional banking institute in the world. The Institute was founded in 1875, operates in all UK nations, and has a significant and growing international presence. The Institute has driven an agenda of ethical professionalism throughout its existence; promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas, and offering professional membership to qualified individuals.
2. The Institute received Royal Charters of incorporation in 1976 and 1991. In 2000, approval was received from the Privy Council to award the “Chartered Banker” professional designation to individuals meeting the Institute’s highest standards and qualification requirements for ethical, professional and technical competence. The Chartered Banker Institute is the only body able to award this title. For an individual to become a Chartered Banker requires Masters-level study of modules in: (a) contemporary issues in banking, (b) credit & lending, and (c) risk management, plus a choice of elective modules in subjects including retail banking, corporate banking and private banking. All students must also complete a Masters-level module in Professional Ethics and Regulation. Qualifications are offered by the Institute itself, as well as by a range of university partners.
3. Post qualification, all Chartered Bankers and the great majority of the Institute’s members must satisfy the Institute’s Continuing Professional Development (CPD) requirements, including mandatory annual ethics refresher training, to continue to use the “Chartered Banker” designation.

4. In addition to the flagship Chartered Banker qualification, the Institute offers a wide range of professional banking and regulatory qualifications, to support individuals at all career levels, all of which involve study of professional ethics.
5. The Institute currently has over 30,000 members. In addition, over the past 5 years, a further 28,000 individuals have participated in a training programme delivered by an employer, university, college or other training provider, accredited by the Institute against our professional and qualifications standards, and providing a pathway to achieving a professional qualification awarded by the Institute.
6. The Institute works with a very wide range of education partners, including universities, colleges, other professional bodies, and training providers to support the initial and continuing professional development of bankers. This includes a wide range of UK university degree partnerships (including the unique Chartered Banker MBA, delivered in partnership with Bangor University for the past 5 years, which has continued to grow in popularity, attracting students from over 50 countries.) and apprenticeship/higher apprenticeship programmes (the Institute has recently become one of a relatively small and select group of professional bodies to be granted End Point Assessment (EPA) status for apprenticeships in England) We also work with banks themselves, and their chosen learning partners, to develop, implement and accredit training programmes aligned to the Chartered Banker framework, creating pathways to professionalism linked to banks' own employee journeys.
7. Internationally, the Institute's impact and influence is growing, with partnerships with professional bodies in Australia, the Bahamas, Hong Kong, Ireland, Malaysia, Malta and Pakistan. We are now proud to have both student and professionally qualified members in 59 countries across the globe, all of whom share a commitment to the Chartered Banker Code of Professional Conduct.
8. *Young Banker of the Year Award* - In 1989, the Institute established the Young Banker of the Year competition, and this continues to be the highlight of the Institute's annual event calendar. The competition seeks to highlight the contribution of one individual with the potential to lead positive, customer-focused change, as judged by a distinguished panel of industry figures, chaired by the Lord Mayor of London, and plays an important role in promoting a revitalised banking profession by recognising the qualities of young bankers, who through their ideas and actions can help to improve the reputation of the industry.
9. See www.charteredbanker.com for more information on the Institute and its activities.

10. In 2008, the Institute began work leading to the launch of the Chartered Banker Professional Standards Board (CB:PSB) in October 2011, chaired by Lady Susan Rice. The CB:PSB is a unique initiative, led by 10 UK banks⁷ and the Chartered Banker Institute, to enhance and sustain professional and ethical standards in banking in the UK. The CB:PSB develops and, through its member banks, implements professional standards (standards of conduct and expertise) for individual bankers which will contribute to the restoration of public trust and confidence and promote a culture of professionalism in the banking sector.
11. In October 2011, the CB:PSB published the Chartered Banker Code of Professional Conduct, to which all member banks subscribe, and which encompasses approximately 46% of the UK banking workforce. In July 2012, the CB:PSB launched its first standard, the Foundation Standard for Professional Bankers (the Foundation Standard). Nearly 145,000 individual bankers in the UK, achieved the Foundation Standard in 2016, according to figures in its annual [Progress Report 2017](#). Along with its Foundation Standard, the CB:PSB has also developed an Intermediate Standard and a Leadership Standard for individuals working in banks.
12. The CB:PSB works closely with regulators, and also with the Banking Standards Board (BSB). The BSB's mission is the development, promotion and encouragement of professional high professional standards in the banking sector, with a focus on institutions. The CB:PSB focuses on professional standards for individuals.

See www.cbpsb.org for more information on the CB:PSB and its professional standards.

⁷ CB:PSB members are Barclays, Clydesdale & Yorkshire Banks, HSBC, Sainsbury's Bank, Santander UK, RBS, Shawbrook Bank, Tesco Bank, United Trust Bank and Virgin Money.

Annex 2 - Chartered Body Alliance Overview

Recognising our primary duty to the public of enhancing and sustaining professionalism in financial services, three of the leading Chartered professional bodies in the sector (the Chartered Insurance Institute, Chartered Institute for Securities & Investment and the Chartered Banker Institute) launched the Chartered Body Alliance in March 2017.

The Chartered Body Alliance strongly believes that by working together the alliance will achieve greater public benefit, continuing to raise professionalism and trust across financial services by promoting high standards of knowledge, skill, integrity and behaviour.

While the activities of each body focus on different areas of financial services, between them they cover a wide range of activities including wealth management, insurance, financial planning, banking and capital market activities.

The Alliance's joint membership of almost 200,000 professionals have much in common, and by working together can demonstrate a substantial collective commitment to enhancing professionalism and improving public confidence and trust in financial services.

For more information please visit: www.charteredbodyalliance.org

About the Chartered Banker Institute

The Chartered Banker Institute ("the Institute") is the oldest professional banking institute in the world.

The Institute was founded in 1875, operates in all UK nations, and has a significant and growing international presence

The Institute has driven an agenda of ethical professionalism throughout its existence; promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas, and offering professional membership to qualified individuals. The Institute currently has over 30,000 members.

About the Chartered Institute for Securities & Investment (CISI)

The CISI's mission is to help members attain, maintain and develop their knowledge and skills and to promote the highest standards of ethics and integrity in the securities and investment industry.

Based in the City of London, the CISI is a global organisation with representative offices in financial centres such as Dublin, Barcelona, Singapore, Hong Kong, Manila, Dubai, Mumbai and Colombo. We work in close cooperation with regulators, firms and other professional bodies worldwide and over 40,000 examinations were sat in 80 countries in the last twelve months.

With 45,000 members in 104 countries the CISI is the professional body which sets examinations and offers qualifications for those working, or looking to establish a career in the financial planning, wealth management and capital markets industry.

About the Chartered Insurance Institute (CII)

The CII is the largest professional body for the Insurance and Financial Planning professions, with 125,000 members located across 143 countries.

Our purpose is to build public trust in insurance.

We do this through the provision of insightful leadership, relevant learning, and an engaged membership.